



—VANCOUVER—
CONVENTION CENTRE EXPANSION
—PROJECT—

SERVICE PLAN
2005/06 – 2007/08

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Message from the Board Chair to the Minister Responsible

To the Minister of Small Business and Economic Development

On behalf of the Vancouver Convention Centre Expansion Project Ltd. (VCCEP) Board of Directors, I am pleased to present the Company's Service Plan for the fiscal years 2005/06 through 2007/08.

VCCEP was incorporated on February 13, 2003 to design, construct and commission an expansion to the existing Vancouver Convention and Exhibition Centre, including a connector between the new and existing facilities, and to undertake renovations within Canada Place.

This exciting project will provide much needed expansion of convention facilities in the Lower Mainland. On completion in 2008, the expanded convention centre will feature 491,000 square feet of delegate space allowing for conventions of up to 10,000 delegates and operating at close to a million delegate days per year.

The VCCEP Project Team has completed much of the preliminary work including the completion of schematic design and securing the required environmental and preliminary development permits. The project scope, budget and schedule were aligned and Treasury Board Approval to proceed with the project was received in June 2004. Subsequently, the City of Vancouver's Urban Design Panel did not support the Project's design and attached a long list of 'prior to' conditions to be met as part of its issuance of its Preliminary Development Permit. Following significant redesign and further consultation with City of Vancouver staff, VCCEP is now confident that its design will be approved by the City. The Project Team has now progressed to the intensive planning, design and implementation stages. Site preparation for foundation construction commenced in October 2004.

An initial Project Implementation Plan, a comprehensive baseline document defining the Project and how it will be implemented, has been completed. This document [will be available] on the VCCEP website (www.vccep.bc.ca). The Project Implementation Plan will guide the VCCEP Project Team as VCCEP moves forward with the mandate to effectively manage the project to ensure its timely delivery within its established budget.

Over the next year VCCEP will complete design development and construction documents and receive City of Vancouver acceptance of the incremental enhancements and public amenities requested by the City as part of the approval process. Structural steel erection and pile driving will be started.

VCCEP looks forward to constructing, commissioning and delivering this state-of-the-art convention facility expansion. The new Convention Centre will have positive long-lasting impacts on tourism and the local economy, will contribute to the long term economic growth of British Columbia, and be showcased to the world in 2010.

Accountability Statement

The 2005/06 – 2007/08 Vancouver Convention Centre Expansion Project Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks as of January 20, 2005 have been considered in preparing the plan. I am accountable for ensuring the Vancouver Convention Centre Expansion Project achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

A handwritten signature in black ink, appearing to read 'Ken Dobell', with a stylized, overlapping initial 'K'.

Ken Dobell, Chair
VCCEP Board of Directors

Overview

The Vancouver Convention Centre Expansion Project Ltd. (VCCEP) is a provincially held limited company incorporated under the former *BC Company Act*. VCCEP was established to design, build, and commission the Vancouver Convention and Exhibition Centre expansion project.

VCCEP is led by a five person Board of Directors:

- Ken Dobell (Chair) – Deputy to the Premier
- Terry Lyons – Chairman, Northgate Minerals Corporation
- Grant Ritchie, P.Eng. – Retired, former Senior Vice President, UMA Engineering Ltd.
- Paul Taylor (Chair, Audit Committee) – President & CEO, ICBC
- Andrew Wilkinson – Deputy Minister, Ministry of Small Business & Economic Development

The scope of the Project includes: the design, construction and commissioning of an expansion to the existing Vancouver Convention and Exhibition Centre and a connector between the new and existing facilities, and renovations to facilities within Canada Place.

In June 2004, the Project budget was approved at \$565.0 million with the following confirmed contributions:

Province of BC	\$222.5 million
Government of Canada	222.5 million
Tourism Vancouver	90.0 million
VCCEP Revenue Generation	<u>30.0 million</u>
Total Contributions:	\$565.0 million

The Expansion Project is scheduled for completion by Fall 2008. The schedule recognizes that the existing facility will then undergo modifications and the entire facility will be made available as the international broadcast and media centre for the 2010 Olympics. The schedule will be regularly reviewed and updated throughout the life of the Project.

It is the responsibility of the Project Team to effectively manage the Project budget, schedule, and related activities to ensure timely delivery of the Project within its established budget.

Since our last report VCCEP has:

- Concluded a multi-year contribution agreement with the Ministry of Small Business and Economic Development (MSBED) for the Province's approved \$222.5 million share of the project's capital budget;
- Concluded a multi-year contribution agreement with Infrastructure Canada for Canada's \$222.5 million share of the project's capital budget;
- Concluded a multi-year contribution agreement with MSBED to receive Tourism Vancouver's \$90.0 million share of the project's capital budget;
- Retained an independent ethics advisor and fairness commissioner;
- Reached 100% schematic design;

- Received approval of its Environmental Assessment application to the Provincial Environmental Assessment Office that addressed the requirements of both the *BC Environmental Assessment Act* and the *Canadian Environmental Assessment Act*;
- Performed on-site geotechnical testing;
- Undertaken a comprehensive value engineering exercise and completed several peer reviews involving national and international experts;
- Received confirmation of the achievability of the Project's scope, schedule and budget from its architects, pre-construction services manager, and quantity surveyors/cost consultants;
- Obtained the approval of PAVCo for the Project's schematic design;
- Prepared a comprehensive Project Implementation Plan;
- Received Treasury Board Approval to proceed with construction;
- Received preliminary approval from the City of Vancouver's Development Permit Board;
- Conducted a governance review, expanded the VCCEP Board of Directors and prepared a governance manual; and
- Broke ground to begin construction.

VCCEP is currently:

- Completing site preparation and undertaking dredging and compaction activities in advance of foundations construction;
- Completing detailed design development;
- Obtaining City of Vancouver approval for a Comprehensive Development Permit;
- Exploring options to maximize the sustainable attributes of the new facility; and
- Exploring options to leverage the return on the public investment in the facility through further revenue generation.

In fiscal year 2005/06, the Company's role will further transition from design development and planning to construction and project delivery.

Strategic Context

Vision: To position Vancouver as a global destination in the convention centre market and create a unique waterfront experience for visitors and citizens alike.

Mission: To create a world class convention facility while simultaneously completing the vibrant urban experience for the people of Vancouver.

Planning Context

VCCEP was incorporated in February 2003 for the purpose of designing, building and commissioning the new conference and exhibition centre facilities, the renovation of existing leased facilities within Canada Place; and the linking of the two sites to form an integrated convention and exhibition centre. As such, a number of factors may influence the company, presenting challenges, opportunities, and risks.

Confirmed contributions for the Project total \$535.0 million – the Province of British Columbia (\$222.5 million); Government of Canada (\$222.5 million) and Tourism Vancouver (\$90 million). The balance of \$30.0 million required will be funded by VCCEP through its generation of revenue from the site. Several sources of revenue have been identified and provisions put in place to ensure any shortfall in revenue can be offset with scope reductions such that there would not be a negative financial impact on public and industry contributions.

The state-of-the-art convention centre and upgrades to the existing convention centre will generate positive, long-term impacts on tourism and contribute to future economic growth for British Columbia and Canada. Project benefits arise firstly from its construction, followed by the incremental convention attendance and onward visitation of non-resident delegates and finally by repeat tourist visits by previous delegates and their families. All of these events create or sustain employment, generate economic activity throughout British Columbia and result in incremental tax revenue.

VCCEP has undertaken extensive third-party reviews and value engineering to confirm that the approved scope of the expansion facility can be built within its approved budget. While the risk remains that cost escalation during the 2005 to 2008 construction schedule will exceed VCCEP's budgeted contingency, stringent provisions have been developed to mitigate this risk.

VCCEP is exploring options to maximize the sustainable attributes of the new facility and to leverage the return on the public investment in the facility through further revenue generation.

Goals, Core Business, Objectives and Strategies

The Vancouver Convention Centre Expansion Project objectives are to create an expanded facility that would:

1. Allow Vancouver to remain competitive in convention markets by retaining existing events which are expanding beyond current capacity and securing new meeting, convention and event business.
2. Generate economic benefits through jobs and tax revenues from out-of-province visitors that will provide governments with the opportunity to enhance provincial and federal revenues.
3. Complement the role of Canada Place as an internationally recognized symbol welcoming visitors to Canada and as a signature feature of the Vancouver Waterfront.
4. Maintain and enhance features that have given Vancouver its competitive edge in the market.
5. Meet the highest environmental and sustainability standards for convention centres, thereby enhancing Vancouver's position in the marketplace.
6. Provide significant public amenities and meet the requirements for a desirable city context.

VCCEP has developed a comprehensive Project Implementation Plan (PIP). The PIP is a critical component to the successful planning and delivery of the expansion project.

The PIP provides the Project Team with a common understanding of the fundamental goals and objectives of the Project, and its scope, budget, schedule and procedures adopted to meet those goals. It is the baseline document that defines the Project and how it will be implemented.

VCCEP's Project Implementation Plan focuses on three distinct areas:

- Volume 1: Project Definition specifies issues of scope, budget and schedule, identifies key issues, and introduces the corporate organization.
- Volume 2: Implementation Strategies documents a series of implementation strategies for key components of the Project, including Project Team organization, design, and cost management strategies, financial considerations, value engineering, reporting, communications, and the approaches taken with respect to important aspects of project implementation planning.
- Volume 3: Project Controls and Procedures details controls, procedures, and processes that have been implemented by VCCEP for the proper analysis, control, reporting and management of key Project elements.

Performance Measures and Benchmarks

Goal #1: To design, build and commission an expansion to the existing Vancouver Convention and Exhibition Centre (the Expansion Program) and to design and construct a connector between the new and existing facilities and to undertake renovations within Canada Place (together the Integration Program)

Strategies:

- Meet schedule, budget and quality objectives. Milestones will be outlined in monthly, quarterly and annual reports.

Goal #2: To effectively manage the Project budget, schedule, and related activities to ensure timely delivery of the Project within its established budget.

Strategies:

- Follow the Province's Board Resourcing and Development Office (BRDO) newly established guidelines to ensure consistent corporate governance standards for BC's public sector organizations. Fulfill the disclosure requirements set out in the guidelines beginning with its 2004/05 Annual Report.

Goal #3: Implement and manage an effective revenue generation program to meet the Project's budget requirements.

Strategies:

- Identify potential sources of revenue and initiate agreements for the creation of business alliances.

Identified Targets

The following milestones have been identified:

Measure	Baseline/ Current Year	Year 1 2005/06	Year 2 2006/07	Year 3 2007/08
Foundation Construction	Commenced		100% Complete	
Pile Driving	Commenced	100 % Complete		
Design Development	Commenced	100 % Complete		
Structural Steel Erection		To Commence	100 % Complete	
Construction Documents		To Commence	100% Complete	
Canada Way Viaduct	To Commence	100% Complete		
Expansion Facility & Connector Construction			To Commence	100% Complete
Canada Place Upgrades				To Commence

The construction of the expansion facility and connector will be completed in 2008. The Canada Place upgrades will be completed in 2009.

Linkages to Government Strategic Priorities

VCCEP's service plan strategies are consistent with and support the government's strategic priorities. VCCEP is an integral part of the government's plan to promote economic growth and revitalize the British Columbia economy.

Summary Financial Outlook

	(\$ millions)
Province of BC	\$222.5
Government of Canada	222.5
Tourism Vancouver	90.0
VCCEP Revenue Generation	30.0
Total Contributions:	\$565.0

Updated 2004/05 Forecast

	2004/05
Revenues ⁽¹⁾	\$460,500
Expenses ⁽¹⁾	89,000
Net Income	371,500
MSBED Capital Contribution	62,000,000
Tourism Vancouver Capital Contribution	9,300,000
Project Capital Expenditures	48,057,590
Debt	-
Staff (full-time equivalents) ⁽²⁾ :	
Management/Excluded	-
Union	-
Total	-

(1) Tenant revenues and amortization expense on FF&E.

(2) VCCEP has no employees. It utilizes the equivalent of fifteen (15) FTE contract and seconded project management and administrative staff.

Updated Forecast

	2005/06 Service Plan	2006/07 Service Plan	2007/08 Forecast
Revenue ⁽¹⁾	51,000	51,000	51,000
Expenses ⁽²⁾	89,000	22,500	-
Net Income	(38,000)	28,500	51,000
MSBED Capital Contribution	69,500,000	31,500,000	-
Tourism Vancouver Capital Contribution	19,000,000	29,600,000	24,700,000
Project Capital Expenditures ⁽³⁾	126,471,438	147,403,784	143,022,586
Debt	-	-	-

(1) Tenant revenues

(2) Property tax and amortization expense on FF&E.

(3) Other than expenses in Note 2 above, VCCEP incurs no operating costs. All expenditures are capitalized to the Project.

Risk Factors and Sensitivities

There are risks associated with the overall benefits of the Project and the associated costs. To mitigate construction risks, VCCEP has undertaken extensive third-party reviews and value engineering and has received confirmation from its architects, cost consultants and its pre-construction services contractor that the approved scope of the expansion facility can be built within its approved budget. VCCEP has incorporated a contingency of \$51 million within this budget to provide for escalation, construction and project cost risks.

There is a risk that cost escalation during the 2005 to 2008 construction schedule will exceed VCCEP's budgeted allowance. A rigorous risk management plan built on industry best practices has been developed to facilitate proactive mitigation of this risk. This plan is included within VCCEP's comprehensive three volume Project Implementation Plan.

The overall risk to projected construction benefits is considered low in that open tendering and international procurement of items such as steel pilings and structural elements were built into the MSBED's model. The primary risk to construction benefits arises from higher than forecast out-of-province procurement of both materials and labor should British Columbia's markets become overheated from competing major capital projects leading up to the 2010 Winter Olympic Games.

There are two principle risks associated with forecast operating benefits: volume risk (i.e. projected delegate visitations are optimistic) and value risk (i.e. delegate per capita spending is less than projected). Both risks are considered low.

Volume risk is principally driven by two factors: Vancouver's relative attractiveness as a destination of choice and global trends in convention attendance. Vancouver is consistently voted one of the most livable cities in the world and, in the post9/11 era, is internationally recognized as a safe destination. The existing convention centre did not experience any cancellations following the events of September 11, 2001.

Globally, the proof of Vancouver's attractiveness to convention organizers is reflected in VCEC's receipt of the International Association of Congress Centres' (AIPEC) 2002 Apex Award for World's Best Convention Centre and in it's annually turning away of conventions in the 2000 to 5000 delegate range due to capacity limitations. VCCEP's sustainable design of the expansion facility to a LEED gold standard, including a living roof, will assure that it remains environmentally appealing vis-à-vis its competition.

VCCEP is also incorporating expert advice on security and the latest audio and video technological trends into the facilities design and functionality. Important adjuncts to the attractiveness of the convention facilities themselves are Vancouver's International Airport, which is consistently voted as one of the best in the world and the forthcoming rapid transit link from the airport to the convention centre.

There are more than 1000 organization and association in the United States alone that hold annual meetings or conventions at international locations on a scheduled basis. The memberships of many other internationally-based organizations in science, medicine, education and related knowledge-based sectors are expanding their interest in gathering face to face in large numbers to communicate with their peers. Delegates in these sectors have proven to be less recession prone and to have higher than average spending patterns.

